

METHOD AND APPARATUS FOR DETERMINING PRICES THAT MAXIMIZE REVENUE

ABSTRACT OF THE DISCLOSURE

A method and apparatus for determining one or more price that maximizes revenue for a given demand curve. For determining a single price that maximizes revenue, a geometric analysis of the demand curve is used to find a price that gives a first angle that is equal to a second angle. The first [103] and second [104] angles are calculated using a tangent line that is tangent to the demand curve at the price and reference lines that pass through the demand curve at the price. When the first angle is equal to the second angle [105], the determined price optimizes revenue for the product represented by the demand curve. For determining multiple prices that maximize revenue, a geometric calculation is performed using a first price [504] so as to determine additional prices. The geometric error that is associated with the first price and the additional prices is determined [505] and the first price is changed until a first price and additional prices are found that minimize the geometric error [506]. In another embodiment, a method and apparatus are disclosed for determining prices that maximize revenue for multiple products.